

Developmental Disabilities Institute, Inc. and Affiliate

**Combined Financial Statements
and Supplementary Information
Year Ended December 31, 2014**

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

**Developmental Disabilities
Institute, Inc. and Affiliate**

Combined Financial Statements
and Supplementary Information
Year Ended December 31, 2014

Developmental Disabilities Institute, Inc. and Affiliate

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Independent Auditor's Report

Board of Directors
Developmental Disabilities Institute, Inc.
and Affiliate
Smithtown, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Developmental Disabilities Institute, Inc. and Affiliate (collectively, "DDI"), which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Institute, Inc. and Affiliate as of December 31, 2014, and the results of changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited DDI's 2013 combined financial statements and our report, dated May 14, 2014, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 28, 2015

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Financial Position (with comparative totals for 2013)

December 31,	2014	2013
Assets		
Current:		
Cash and cash equivalents (Note 3)	\$10,402,612	\$ 8,432,223
Cash - restricted (Note 3)	3,752,520	4,327,825
Investments, at fair value (Notes 3 and 4)	4,996	28,018
Accounts receivable, net of allowance for doubtful accounts of \$375,045 and \$382,092 for 2014 and 2013, respectively (Notes 3 and 11)	16,131,405	12,718,313
Government and other grants receivable (Note 3)	934,962	947,840
Contributions and pledges receivable, net (Notes 3 and 5)	211,049	293,078
Prepaid expenses and other assets	1,258,735	1,130,318
Total Current Assets	32,696,279	27,877,615
Deferred Costs, Net (Note 3)	873,672	1,137,312
Assets Limited to Use (Note 4)	4,640,093	8,861,020
Fixed Assets, Net (Notes 3, 6, 12 and 13)	27,477,574	24,293,712
	\$65,687,618	\$62,169,659
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,310,086	\$ 2,409,774
Accrued interest payable (Note 13)	129,677	128,746
Accrued payroll and related benefits	5,879,122	5,990,000
Accrued pension payable (Note 7)	897,777	915,095
Deferred revenue (Note 3)	1,804,318	2,166,327
Capital lease obligations, current portion (Note 10)	500,002	528,507
Line of credit (Note 11)	-	384,000
Mortgages and loans payable, current portion (Note 12)	244,387	177,683
Bonds payable, current portion (Note 13)	1,785,000	1,788,000
Due to governmental agencies, current portion (Notes 3 and 9)	1,547,860	819,523
Total Current Liabilities	15,098,229	15,307,655
Deferred Revenue, Less Current Portion (Note 3)	1,548,538	887,403
Capital Lease Obligations, Less Current Maturities (Note 10)	826,996	682,695
Mortgages and Loans Payable, Less Current Maturities (Note 12)	2,376,405	1,522,843
Bonds Payable, Less Current Maturities (Note 13)	23,201,958	24,986,958
Due to Governmental Agencies, Less Current Portion (Notes 3 and 9)	3,489,078	4,266,557
Total Liabilities	46,541,204	47,654,111
Commitments and Contingencies (Notes 3, 8, 9, 10, 11, 12, 13, 14 and 15)		
Net Assets:		
Unrestricted net assets (Note 3)	18,218,769	13,384,560
Temporarily restricted net assets (Notes 3, 16 and 17)	927,645	1,130,988
Total Net Assets	19,146,414	14,515,548
	\$65,687,618	\$62,169,659

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Activities (with comparative totals for 2013)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Total	
			2014	2013
Program Revenues:				
Fees for services	\$85,125,406	\$ -	\$85,125,406	\$82,461,424
Government and other grants	1,442,514	-	1,442,514	970,619
Clinic revenue	4,780,926	-	4,780,926	4,820,699
Other program revenues	1,515,040	-	1,515,040	1,372,835
Net assets released from restrictions (Note 16)	26,296	(26,296)	-	-
Total Program Revenues	92,890,182	(26,296)	92,863,886	89,625,577
Expenses:				
Program services:				
Education services	29,682,713	-	29,682,713	28,790,045
Clinic services	5,192,637	-	5,192,637	5,910,753
Adult day services	15,648,495	-	15,648,495	15,433,702
Children's residential services	7,934,228	-	7,934,228	6,138,683
Adult residential services	25,811,303	-	25,811,303	25,932,619
Other programs	5,136	-	5,136	-
Total Program Services	84,274,512	-	84,274,512	82,205,802
Supporting services:				
Management and general	5,793,961	-	5,793,961	5,797,421
Fundraising	171,150	-	171,150	217,617
Total Supporting Services	5,965,111	-	5,965,111	6,015,038
Total Expenses	90,239,623	-	90,239,623	88,220,840
Change in Net Assets Before Nonoperating Revenues and Expenses	2,650,559	(26,296)	2,624,263	1,404,737
Nonoperating Revenues and Expenses:				
Capital campaign income	-	67,935	67,935	30,405
Capital campaign expenses	-	(298,489)	(298,489)	(34,413)
Net Expenses From Capital Campaign	-	(230,554)	(230,554)	(4,008)
Special events revenues	377,683	21,132	398,815	359,632
Direct cost to donors	(127,729)	-	(127,729)	(139,770)
Net Revenues From Special Events	249,954	21,132	271,086	219,862
Contributions	18,358	32,375	50,733	94,726
Gain on sale of fixed assets	40,014	-	40,014	48,307
Unrealized (losses) gains on investments	(109)	-	(109)	1,438
Interest income	39,888	-	39,888	50,563
Other income	106,641	-	106,641	103,126
Prior period income (expense)	1,728,904	-	1,728,904	(1,348,195)
Total Nonoperating Revenues and Expenses	2,183,650	(177,047)	2,006,603	(834,181)
Change in Net Assets	4,834,209	(203,343)	4,630,866	570,556
Net Assets, Beginning of Year	13,384,560	1,130,988	14,515,548	13,944,992
Net Assets, End of Year	\$18,218,769	\$ 927,645	\$19,146,414	\$14,515,548

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate
Combined Statement of Functional Expenses
(with comparative totals for 2013)

Year ended December 31,

	Program Services					Supporting Services			Total				
	Education Services	Clinic Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Other Programs	Program Services	Management and General		Fundraising	Supporting Services		
Salaries and Related Expenses:													
Salaries	\$19,944,514	\$3,038,109	\$ 8,827,281	\$4,595,341	\$15,722,121	\$2,382	\$52,129,748	\$3,341,227	\$ 86,180	\$3,427,407	\$55,557,155	\$53,439,973	\$53,439,973
Payroll taxes and employee benefits	6,289,329	777,238	3,067,470	1,383,764	5,186,556	748	16,705,105	905,276	31,956	937,232	17,642,337	18,811,927	18,811,927
Total Salaries and Related Expenses	26,233,843	3,815,347	11,894,751	5,979,105	20,908,677	3,130	68,834,853	4,246,503	118,136	4,364,639	73,199,492	72,251,900	72,251,900
Other Expenses:													
Fee-for-services professionals	46,086	235,219	12,222	10,899	92,995	-	397,421	194,891	-	194,891	592,312	463,419	463,419
Building occupancy	487,302	223,533	824,949	24	12,257	-	1,548,065	19,367	-	19,367	1,567,432	1,533,377	1,533,377
Telephone	155,322	39,702	134,457	36,896	123,861	-	490,238	39,220	891	40,111	530,349	485,167	485,167
Travel	12,637	1,364	44,633	4,201	29,917	-	92,742	10,832	1,086	11,918	104,660	118,263	118,263
Supplies	726,917	109,235	180,013	244,571	591,798	-	1,832,534	14,213	1,149	15,362	1,867,896	1,570,187	1,570,187
Food	1,393	-	26,337	262,792	774,322	-	1,064,804	837	-	837	1,065,641	977,264	977,264
Office expense	149,958	125,370	103,019	47,565	62,452	-	488,364	288,514	23,026	311,540	799,904	720,508	720,508
Dues and subscriptions	15,526	1,868	2,870	2,374	2,283	-	24,921	41,964	2,076	44,040	68,961	69,450	69,450
Postage	11,716	3,682	2,434	1,023	1,078	-	19,933	44,032	532	44,564	64,497	71,458	71,458
Meetings and conferences	16,526	3,361	17,654	6,819	9,459	-	53,819	21,754	2,292	24,046	77,865	116,696	116,696
Employee training and recruitment	123,687	3,147	63,209	82,678	101,081	-	373,802	23,132	115	23,247	397,049	260,459	260,459
Legal and accounting	11,420	19,805	-	14,268	8,487	2,006	55,986	246,138	586	246,724	302,710	301,565	301,565
Utilities	364,773	74,102	210,460	110,401	375,577	-	1,135,313	45,299	592	45,891	1,181,204	1,117,934	1,117,934
Repairs and maintenance	265,279	85,366	295,768	70,997	283,709	-	1,001,119	25,673	5,869	31,542	1,032,661	954,993	954,993
Equipment and furniture	173,053	8,808	44,157	34,014	33,752	-	293,784	12,297	13,499	25,796	319,580	246,062	246,062
Interest	152,269	149,495	153,914	127,948	357,036	-	940,662	50,037	58	50,095	990,757	876,184	876,184
Insurance	273,956	71,027	366,493	92,499	426,936	-	1,230,911	88,051	772	88,823	1,319,734	1,372,264	1,372,264
Medicaid assessment taxes	-	-	-	478,227	215,052	-	693,279	-	-	-	693,279	666,902	666,902
Amortization of debt issuance costs	41,066	40,026	33,444	12,516	45,130	-	172,182	17,654	-	17,654	189,836	222,587	222,587
Debt-related expenses	-	-	-	-	-	-	-	13,831	-	13,831	13,831	11,457	11,457
Vehicle expense	81,955	1,755	694,159	44,625	383,767	-	1,206,261	6,875	68	6,943	1,213,204	1,266,790	1,266,790
Bad debt expense	73	7,786	13,545	-	-	-	21,404	-	-	-	21,404	-	-
Total Expenses Before Depreciation and Amortization	29,344,757	5,019,998	15,118,478	7,664,402	24,839,626	5,136	81,992,397	5,451,114	170,747	5,621,861	87,614,258	85,684,053	85,684,053
Depreciation and Amortization	337,956	172,639	530,017	269,826	971,677	-	2,282,115	342,847	403	343,250	2,625,365	2,536,787	2,536,787
Total Expenses	\$29,682,713	\$5,192,637	\$15,648,495	\$7,934,228	\$25,811,303	\$5,136	\$84,274,512	\$5,793,961	\$171,150	\$5,965,111	\$90,239,623	\$88,220,840	\$88,220,840

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Cash Flows (with comparative totals for 2013)

Year ended December 31,	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ 4,630,866	\$ 570,556
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,625,365	2,536,787
Amortization of debt issuance costs	189,836	222,587
Gain on sale of fixed assets	(40,014)	(48,307)
Provision for bad debt	21,404	7,167
Donated stock	-	(23,033)
Discount on pledges receivables	2,623	(4,863)
Unrealized loss (gain) on investments	109	(1,438)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(3,434,496)	408,232
Government and other grants receivable	79,406	(451,283)
Contributions and pledges receivable	12,878	100,603
Prepaid expenses and other assets	(128,417)	160,593
Debt issuance costs	73,804	133,364
Increase (decrease) in:		
Accounts payable and accrued expenses	(99,688)	153,637
Accrued interest payable	931	5,382
Accrued payroll and related benefits	(110,878)	2,438,565
Accrued pension payable	(17,318)	(71,696)
Deferred revenue	299,126	971,964
Due to governmental agencies	(49,142)	321,956
Net Cash Provided By Operating Activities	4,056,395	7,430,773
Cash Flows From Investing Activities:		
Purchases of fixed assets	(5,823,002)	(6,092,812)
Proceeds from sale of fixed assets	53,789	55,135
Cash - restricted	575,305	(3,128,209)
Assets limited to use	4,220,927	8,958,836
Proceeds from sale of investments	22,913	-
Net Cash Used In Investing Activities	(950,068)	(207,050)
Cash Flows From Financing Activities:		
Proceeds from line of credit	-	384,000
Payments on line of credit	(384,000)	-
Proceeds from capital lease obligations	735,501	-
Repayments on capital lease obligations	(619,705)	(573,561)
Proceeds from mortgages and loans payable	1,150,000	-
Principal payments on mortgages and loans payable	(229,734)	(181,968)
Principal payments on bonds payable	(1,788,000)	(9,466,002)
Net Cash Used In Financing Activities	(1,135,938)	(9,837,531)
Net Increase (Decrease) in Cash and Cash Equivalents	1,970,389	(2,613,808)
Cash and Cash Equivalents, Beginning of Year	8,432,223	11,046,031
Cash and Cash Equivalents, End of Year	\$ 10,402,612	\$ 8,432,223
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 990,756	\$ 876,184
Noncash transaction related to capital leases	735,501	784,812

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

1. Principles of Combination

The accompanying combined financial statements include the accounts of Developmental Disabilities Institute, Inc. (the "Institute") and DDI Foundation, Inc. (the "Foundation") (collectively, the "Institute and Affiliate"), which are related by certain common members of the Board of Directors and identical management.

All intercompany balances and transactions have been eliminated in combination.

2. Nature of the Organizations

(a) The Institute is a New York State not-for-profit corporation which operates health, education and residential facilities for the therapeutic education, guidance and training of developmentally disabled children, adults and their families. The Institute also operates Diagnostic and Treatment Centers, which are licensed by the New York State Department of Health under Article 28 of the Public Health Law to provide rehabilitative, therapeutic, medical and dental services primarily for developmentally disabled children and adults. The Institute is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Institute has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2014.

(b) The Foundation is a New York State not-for-profit corporation that was established May 31, 1988 and began operations October 1, 1990. The Foundation is organized and operated exclusively for charitable, scientific and educational purposes. Consistent with the foregoing, its specific purpose is to promote and support the activities of the Institute. The Foundation maintains certain common board members with the Institute. The Foundation is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Code and, therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2014.

3. Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The combined financial statements of the Institute and Affiliate have been prepared on the accrual basis. In the combined statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) *Financial Statement Presentation*

The classification of the Institute's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

These classes are defined as follows:

- (i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Institute.
- (ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Institute pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities.
- (iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The Institute and Affiliate consider all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Cash-Restricted

Restricted cash consists of cash held in banks for future contributions to the pension plan and future workers compensation claims.

(e) Provision for Doubtful Accounts

The Institute and Affiliate provide an allowance for doubtful accounts for accounts receivable which are specifically identified by management as to their uncertainty in regards to collectability. As of December 31, 2014, the total allowance for doubtful accounts is \$375,045.

(f) Investments at Fair Value

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement", defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Institute and Affiliate classify fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(g) Income Taxes

The Institute and Affiliate were incorporated in the State of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Code and, therefore, have made no provision for income taxes in the accompanying combined financial statements. In addition, the Institute and Affiliate have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2014. Management believes that the Institute and Affiliate are no longer subject to income tax examinations for years prior to 2011.

Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Institute and Affiliate do not believe there are any material uncertain tax positions and, accordingly, they will not recognize any liability for unrecognized tax benefits. The Institute and Affiliate have filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Institute and Affiliate have filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2014, there was no interest or penalties recorded or included in the combined statement of activities.

(h) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and equipment under capital leases are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

	Years
Buildings	18-40
Building improvements	5-40
Furniture and fixtures	4-20
Equipment and vehicles	3-15

(i) Impairment of Fixed Assets

The Institute and Affiliate review fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2014, there have been no such losses.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

(j) Contributions and Pledges Receivable

Contributions and pledges receivable, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Promises to give are recorded at the present value of estimated future cash flows, based on an appropriate discount rate at the time of the gift. Amortization of the discount in subsequent years is included in contribution revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions for capital projects are reported as nonoperating revenues. Conditional contributions, including conditional promises to give, are not recognized until the conditions are substantially met.

Unconditional promises to give are recorded in the combined financial statements at present value using a discount rate which represents risk-free interest rates applicable to the years in which promises are received. For the year ended December 31, 2014, the Institute and Affiliate used a discount rate of 3%.

Contributions receivable consist of \$189,723 for the capital campaign and \$21,326 for pledges receivable at December 31, 2014.

The capital campaign represents funds donated to the Institute and Affiliate for the purpose of renovations of the Little Plains School located in Huntington, New York and expenses related to the capital campaign.

(k) Deferred Costs

Deferred costs consist of debt issuance costs and deferred start-up costs. Debt issuance costs are deferred and amortized using the straight-line method over the term of the related debt. Deferred start-up costs are amortized using the straight-line method over a five-year term in accordance with the reimbursement period of the costs to acquire those assets. As of December 31, 2014, the total accumulated amortization for debt issuance costs and deferred costs is \$1,374,730 and \$97,128, respectively.

(l) Third-party Reimbursements and Revenue Recognition

The Institute receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily the Office for People With Developmental Disabilities ("OPWDD"), Department of Health and the State Education Department of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. The financial statement impact of such adjustments is recognized in the period in which the retroactive adjustment occurred.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

(m) Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

(n) Concentration of Credit Risk

Financial instruments which potentially subject the Institute and Affiliate to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Institute and Affiliate have cash deposits at financial institutions, which exceed the Federal Depository Insurance Corporation insurance limits.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

(o) Use of Estimates

The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) Comparative Financial Information

The combined financial statements include certain prior year summarized comparative information. With respect to the combined statement of activities, the prior year information is presented in total, not by net asset class. With respect to the combined statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Institute and Affiliate's combined financial statements for the year ended December 31, 2013, from which the summarized information was derived in total but not by net asset class.

(q) Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

4. Investments and Assets Limited as to Use

The cost and respective fair values of investments at December 31, 2014 are as follows:

December 31, 2014

	Cost	Fair Value
Institute and Affiliate:		
Common stock	\$ 4,996	\$ 4,996
Federated Treasury Obligations Fund	3,688,086	3,688,086
Debt service reserve fund - money market fund	952,007	952,007
Total	\$4,645,089	\$4,645,089

The Institute and Affiliate's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Institute and Affiliate's policies regarding this hierarchy. A description of the valuation techniques applied to the Institute and Affiliate's major categories of assets measured at fair value is below.

The Institute and Affiliate have investments in common stock, treasury obligation and money market funds. The Institute and Affiliate's custodian prices these investments using nationally recognized pricing services. The Institute and Affiliate's common stock, Federated Treasury Obligations Fund and debt service reserve fund are classified as Level 1 of the fair value hierarchy.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

The following table shows, by level within the fair value hierarchy, the Institute and Affiliate's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2014. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Institute and Affiliate's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. There have been no changes in the levels from the prior year.

	<u>Fair Value Measurement at Reporting Date Using</u>			Balance at December 31, 2014
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common stock	\$ 4,996	\$-	\$-	\$ 4,996
2005 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	128,064	-	-	128,064
2006 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	76,449	-	-	76,449
2012 AA-AF Local Development Corp. Revenue Bond	3,078,425	-	-	3,078,425
2012 BA-BE County Economic Development Corp. Revenue Bond	404,848	-	-	404,848
Facilities Development Corporation ("FDC") mortgages payable - debt service reserve fund	952,007	-	-	952,007
2004 A-C Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	300	-	-	300
	<u>\$4,645,089</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,645,089</u>

5. Contributions and Pledges Receivable, Net

At December 31, 2014, the net present value of contributions and pledges receivable is \$211,049. The net present value of pledges receivable was calculated using a discount rate of 3%.

Net present value of pledges receivable at December 31, 2014 is summarized below:

<i>December 31, 2014</i>	
Total contributions and pledges receivable	\$213,672
Discount	2,623
Net present value of contributions receivable	\$211,049
Amount due in:	
One year	\$139,908
Two to five years	73,764
	<u>\$213,672</u>

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

6. Fixed Assets, Net

Fixed assets, net, including equipment under capital leases, consists of the following:

December 31, 2014

Land	\$ 5,653,166
Buildings and building improvements	40,135,810
Furniture, fixtures and office equipment	8,327,293
Vehicles under capital lease obligations	4,822,363
Machinery and equipment	215,929
IT equipment	835,526
Leasehold improvements	1,997,651
	<hr/>
	61,987,738
Less: Accumulated depreciation and amortization	(34,640,054)
Construction-in-progress	129,890
	<hr/>
	\$ 27,477,574

The estimated cost to complete the construction-in-progress is approximately \$714,870.

7. Pension Plans

(a) 403(b) Tax Deferred Annuity Plan

The Institute is the sponsor of a 403(b) tax deferred annuity plan that covers all Institute and Affiliate employees meeting eligibility requirements. Employee contributions are immediately vested. The Institute also makes a discretionary contribution based upon a percentage of an employee's salary, which will become 100% vested after three or five years depending on date of hire. Accrued pension payable for the year ended December 31, 2014 was \$897,777. In 2014, employer contributions were made of \$890,864; for the year ended December 31, 2014, administration fees of \$4,017 were paid.

(b) Frozen Plan

The Institute and Affiliate had a defined contribution 401(a) pension plan for all salaried employees who completed one year of service. Contributions were based on a percentage of employees' salaries and vesting occurred after five years. The plan was frozen as of April 6, 2001.

8. Workers' Compensation Reserve

DDI was previously a member of the now terminated and insolvent Community Residence Insurance Saving Plan Self-Insurance Trust for Workers' Compensation ("CRISP"). Due to financial deficits, the Workers' Compensation Board ("WCB") of New York State assumed the administration of CRISP. WCB has been charged with facilitating the extinguishment of the liabilities of the trust and performed a review to reconstruct and allocate the deficit among CRISP's former members. DDI received an assessment based on this review for fiscal years 2006-2011. Former CRISP members retained counsel and negotiated an MOU with the WCB. DDI is currently paying a monthly amount of \$28,102.40 based on the terms of the MOU. At some point, former CRISP members will be advised as to any remaining liability, once all former CRISP claims have either been closed or sold to third party. DDI's exact liability cannot be determined at this time. As such, provision for

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

the amount of the full liability has not been recorded in the accompanying combined financial statements.

9. Due to Governmental Agencies

Due to governmental agencies consists of the following:

December 31, 2014

Advances by funding sources to be recouped in future years	\$5,036,938
--	-------------

10. Capital Lease Obligations

Capital lease obligations consisted of the following:

December 31, 2014

The Institute financed the cost of vehicles with notes payable in various monthly installments through 2018. The interest rates on these leases range from 4.58% to 6.37%.	\$1,326,998
Less: Current maturities	(500,002)
	<u>\$ 826,996</u>

Future minimum principal payments and the present value of net minimum principal payments are as follows:

December 31,

2015	\$ 559,348
2016	478,162
2017	285,895
2018	112,688
Total minimum lease payments	1,436,093
Less: Interest	(109,095)
Present value of net minimum lease payments	<u>\$1,326,998</u>

11. Line of Credit

The Institute has a revolving line of credit with a bank of up to \$9,000,000, which was renewed in connection with the bond refinancing during the year and expires on August 31, 2015. Interest is charged at 3.75% per annum. There was \$-0- outstanding at December 31, 2014. The line of credit is secured by outstanding accounts receivable excluding any receivables, subject to subordination agreements.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

12. Mortgages and Loans Payable

Mortgages and loans payable consist of the following:

December 31, 2014

Mortgage payable to FDC, due August 2015, payable in semi-annual debt service payments ranging from \$10,931 to \$11,197, including interest at 7.78% per annum; secured by real estate located in Selden, New York.	\$ 550
Mortgage payable to FDC, due August 2017, payable in semi-annual debt service payments ranging from \$24,430 to \$24,837, including interest at 7.95% per annum; secured by real estate located in Plainview, New York.	115,950
Mortgage payable to FDC, due August 2018, payable in semi-annual debt service payments ranging from \$22,544 to \$22,880, including interest at 6.76% per annum; secured by real estate located in Greenlawn, New York.	89,075
Mortgage payable to FDC, due February 2021, payable in semi-annual debt service payments ranging from \$8,066 to \$11,242, including interest at 5.61% per annum; secured by real estate located in Mt. Sinai, New York.	106,055
Various loans payable, due from May 2025 to February 2026, payable in current monthly installments ranging from \$3,383 to \$7,125, including interest from 3.65% to 5.49%; secured by related vehicles, land and buildings.	2,309,162
	2,620,792
Less: Current maturities	(244,387)
	<u>\$2,376,405</u>

Mortgages and loans payable mature as follows:

December 31,

2015	\$ 244,387
2016	257,430
2017	213,323
2018	186,970
2019	196,742
Thereafter	1,521,940
	<u>\$2,620,792</u>

13. Bonds Payable

(a) On December 1, 2004, the Institute obtained financing of \$265,000 of Civic Facility Revenue bonds through SCIDA for the renovation and equipping of a facility located in Medford, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2014, \$80,000 remains outstanding:

(b) On January 21, 2005 the Institute obtained financing of \$163,000 of Civic Facility Revenue bonds through the Nassau County Industrial Development Agency ("NCIDA") for the renovation and equipping of a facility located in Bellmore, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2014, \$65,000 remains outstanding.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

(c) On October 1, 2005, the Institute obtained financing of \$1,091,000 of Civic Facility Revenue Bonds through SCIDA for the renovation and equipping of a facility located in East Patchogue, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2014, \$530,000 remains outstanding.

(d) On September 26, 2006, the Institute obtained financing of \$3,857,000 of Civic Facility Revenue Bonds through SCIDA to renovate properties located in Nesconset, NY, Commack, NY, Babylon, NY, Smithtown, NY and Bohemia, NY, and for acquisitions and renovations of properties located in Ridge, NY and Yaphank, NY. The bonds, which require quarterly interest payments, bear interest at 5.95%. At December 31, 2014, \$1,955,000 remains outstanding.

(e) On August 29, 2012, the Institute obtained financing of \$20,016,071 through the Town of Huntington Local Development Corporation to renovate properties in Smithtown and Huntington, NY and to refinance outstanding amounts associated with financing obtained in 1993 and 1998 through Suffolk County Industrial Development Agency. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 3.8%. At December 31, 2014, \$17,574,476 remains outstanding.

On August 29, 2012, the Institute obtained financing of \$5,880,138 through the Suffolk County Economic Development Corporation to renovate properties in Hauppauge, NY and to refinance outstanding amounts associated with financing obtained in 1993, 1998 and 1999. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 4.4%. At December 31, 2014, \$4,782,482 remains outstanding.

The aggregate principal maturities for the years ending December 31 are as follows:

<i>December 31,</i>	
2015	\$ 1,785,000
2016	1,890,000
2017	1,940,000
2018	2,010,000
2019	2,060,000
Thereafter	15,301,958
	<hr/>
	\$24,986,958

All bonds are secured by the related properties.

Interest expense related to the bonds for the year ended December 31, 2014 was \$799,630.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

14. Operating Leases

Pursuant to several lease agreements, the Institute and Affiliate are obligated for minimum annual rentals payable to nonrelated entities, as indicated below. The Institute is obligated for certain operating costs at these sites. The future minimum commitments to all nonrelated parties are as follows:

<i>December 31,</i>	
2015	\$1,320,205
2016	1,340,348
2017	1,263,200
2018	894,579
2019	429,465
Thereafter	1,076,517
<hr/>	
Total minimum lease payments	\$6,324,314

Total rental expense under noncancellable operating leases amounted to \$1,396,654 for the year ended December 31, 2014.

15. Commitments and Contingencies

(a) In conjunction with the operation of its Diagnostic and Treatment Centers, the Institute maintains occurrence-basis malpractice insurance policies for certain qualified providers. Non-qualified providers are required to maintain their own malpractice coverage. Management is not aware of any outstanding individual or aggregate malpractice claims that could potentially exceed the existing coverage limitations.

(b) For the year ended December 31, 2014, revenues from Medicare and Medicaid programs accounted for a significant portion of the Institute's revenues. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Institute believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. In the event noncompliance is determined, the Institute would be subject to regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

(c) Additionally, the Institute is involved in certain disputes arising from the normal course of its businesses. In the opinion of management and on the advice of legal counsel, the expected outcome of such disputes, in the aggregate, will not have a material adverse effect on the Institute's financial position.

(d) On August 5, 2014, the Institute entered into an irrevocable letter of credit amounting to \$2,790,837 from a bank which matures on August 1, 2015. The letter of credit was issued in conjunction with the Institute's workers' compensation policy. There were no outstanding borrowings at December 31, 2014.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

16. Net Assets Released From Restrictions

During 2014, temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose are as follows:

School supplies and book fair	\$ 19,528
Memorial	6,768
Capital Campaign	298,489
	<hr/>
	\$324,785

17. Temporarily Restricted Net Assets

Donor restricted contributions held for specific purposes are as follows:

December 31, 2014

School supplies and book fair	\$ 81,471
Memorial	38,522
Capital campaign	786,520
Special events	21,132
	<hr/>
	\$927,645

18. Subsequent Events

The Institute and Affiliate's management has performed subsequent events procedures through May 28, 2015, which is the date the combined financial statements were available to be issued and there were no subsequent events requiring adjustment to the combined financial statements or disclosures as stated herein.

Independent Auditor's Report on Supplementary Information

Our audit of the combined financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

BDO USA, LLP

New York, New York

May 28, 2015

Developmental Disabilities Institute, Inc. and Affiliate
Combining Statement of Financial Position
(with comparative totals for 2013)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total	
				2014	2013
Assets					
Current:					
Cash and cash equivalents	\$ 9,824,211	\$ 578,401	\$ -	\$ 10,402,612	\$ 8,432,223
Cash - restricted	3,465,241	287,279	-	3,752,520	4,327,825
Investments, at fair value	-	4,996	-	4,996	28,018
Accounts receivable, net	16,131,405	-	-	16,131,405	12,718,313
Government and other grants receivable	874,888	60,074	-	934,962	947,840
Contributions and pledges receivable	-	211,049	-	211,049	293,078
Prepaid expenses and other assets	1,250,354	8,381	-	1,258,735	1,130,318
Total Current Assets	31,546,099	1,150,180	-	32,696,279	27,877,615
Due From Affiliates	-	23,402	(23,402)	-	-
Deferred Costs, Net	873,672	-	-	873,672	1,137,312
Assets Limited to Use	4,640,093	-	-	4,640,093	8,861,020
Fixed Assets, Net	27,477,574	-	-	27,477,574	24,293,712
	\$64,537,438	\$1,173,582	\$(23,402)	\$65,687,618	\$62,169,659

Developmental Disabilities Institute, Inc. and Affiliate
Combining Statement of Financial Position
(with comparative totals for 2013)

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total	
				2014	2013
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 2,309,317	\$ 769	\$ -	\$ 2,310,086	\$ 2,409,774
Accrued interest payable	129,677	-	-	129,677	128,746
Accrued payroll and related benefits	5,879,122	-	-	5,879,122	5,990,000
Accrued pension payable (includes pension advance \$1,115)	897,777	-	-	897,777	915,095
Due to affiliates	23,402	-	(23,402)	-	-
Deferred revenue	1,804,318	-	-	1,804,318	2,166,327
Capital lease obligations	500,002	-	-	500,002	528,507
Line of credit	-	-	-	-	384,000
Mortgages and loans payable	244,387	-	-	244,387	177,683
Bonds payable	1,785,000	-	-	1,785,000	1,788,000
Due to governmental agencies	1,547,860	-	-	1,547,860	819,523
Total Current Liabilities	15,120,862	769	(23,402)	15,098,229	15,307,655
Deferred Revenue, Less Current Portion	1,548,538	-	-	1,548,538	887,403
Capital Lease Obligations, Less Current Maturities	826,996	-	-	826,996	682,695
Mortgages and Loans Payable, Less Current Maturities	2,376,405	-	-	2,376,405	1,522,843
Bonds Payable, Less Current Maturities	23,201,958	-	-	23,201,958	24,986,958
Due to Governmental Agencies, Less Current Portion	3,489,078	-	-	3,489,078	4,266,557
Total Liabilities	46,563,837	769	(23,402)	46,541,204	47,654,111
Net Assets:					
Unrestricted net assets	17,973,601	245,168	-	18,218,769	13,384,560
Temporarily restricted net assets	-	927,645	-	927,645	1,130,988
Total Net Assets	17,973,601	1,172,813	-	19,146,414	14,515,548
	\$64,537,438	\$1,173,582	\$(23,402)	\$65,687,618	\$62,169,659

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Activities

(with comparative totals for 2013)

Year ended December 31,	Developmental Disabilities Institute, Inc.		DDI Foundation, Inc.		Combined Total	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	2014	2013
Program Revenues:						
Fees for services	\$85,125,406	\$ -	\$ -	\$ -	\$85,125,406	\$82,461,424
Government and other grants	1,442,514	-	-	-	1,442,514	970,619
Net patient service revenues	4,780,926	-	-	-	4,780,926	4,820,699
Other program revenues	1,515,040	-	-	-	1,515,040	1,372,835
Net assets released from restrictions	-	26,296	-	(26,296)	-	-
Total Program Revenues	92,863,886	26,296	(26,296)	-	92,863,886	89,625,577
Expenses:						
Program services:						
Education services	29,682,713	-	-	-	29,682,713	28,790,045
Clinic services	5,192,637	-	-	-	5,192,637	5,910,753
Adult day services	15,648,495	-	-	-	15,648,495	15,433,702
Children's residential services	7,934,228	-	-	-	7,934,228	6,138,683
Adult residential services	25,811,303	-	-	-	25,811,303	25,932,619
Other programs	5,136	-	-	-	5,136	-
Total Program Services	84,274,512	-	-	-	84,274,512	82,205,802
Supporting services:						
Management and general	5,793,961	-	-	-	5,793,961	5,797,421
Fundraising	-	171,150	-	-	171,150	217,617
Total Supporting Services	5,793,961	171,150	-	-	5,965,111	6,015,038
Total Expenses	90,068,473	171,150	-	-	90,239,623	88,220,840
Change in Net Assets Before Nonoperating Revenues and Expenses	2,795,413	(144,854)	(26,296)	(171,150)	2,624,263	1,404,737
Nonoperating Revenues and Expenses:						
Capital campaign income	-	-	67,935	-	67,935	30,405
Capital campaign expenses	-	-	(298,489)	-	(298,489)	(34,413)
Net Expenses From Capital Campaign	-	(230,554)	21,132	-	(230,554)	(4,008)
Special events revenues	-	377,683	-	-	377,683	359,632
Direct cost to donors	-	(127,729)	-	-	(127,729)	(139,770)
Net Revenues From Special Events	9,600	8,758	21,132	32,375	271,086	219,862
Contributions	40,014	-	-	-	40,014	94,726
Gain on sale of fixed assets	-	(109)	-	-	(109)	48,307
Unrealized (losses) gains on investments	39,774	114	-	-	39,888	1,438
Interest income	105,441	1,200	-	-	106,641	50,563
Other income	1,736,512	(7,608)	-	-	1,728,904	103,126
Prior period income (expense)	-	-	-	-	-	(1,348,195)
Total Nonoperating Revenues and Expenses	1,931,341	252,309	(177,047)	75,262	2,006,603	(834,181)
Change in Net Assets	4,726,754	107,455	(203,343)	(95,888)	4,630,866	570,556
Net Assets, Beginning of Year	13,246,847	137,713	1,130,988	1,268,701	14,515,548	13,944,992
Net Assets, End of Year	\$17,973,601	\$245,168	\$927,645	\$1,172,813	\$19,146,414	\$14,515,548



Department of Treasury
Internal Revenue Service
Ogden UT 84201

CADM

JUN 22 2015

Notice	CP211A
Tax period	December 31, 2014
Notice date	June 29, 2015
Employer ID number	11-6077347
To contact us	Phone 1-877-829-5500 FAX 801-620-5555

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DEVELOPMENTAL DISABILITIES
% SOPHIA SAMUEL
99 HOLLYWOOD DR
SMITHTOWN NY 11787-3135



029864

Important information about your December 31, 2014 Form 990

We approved your Form 8868, Application for Extension of Time To File an Exempt Organization Return

We approved the Form 8868 for your
December 31, 2014 Form 990.
Your new due date is August 15, 2015.

What you need to do

File your December 31, 2014 Form 990 by August 15, 2015. We encourage you to use electronic filing—the fastest and easiest way to file.

Visit www.irs.gov/charities to learn about approved e-File providers, what types of returns can be filed electronically, and whether you are required to file electronically.

Additional information

- Visit www.irs.gov/cp211a.
- For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).
- Keep this notice for your records.

If you need assistance, please don't hesitate to contact us.